

Message Text

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ACTION ARA-10

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 USIE-00 SSO-00 INRE-00

NSCE-00 IGA-01 INT-05 /091 W
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O P 252216Z JUL 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 6077

INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 6029

EO 11652: GDS

TAGS: PINT, EINV, EGEN, PFOR, EP, US, JA

SUBJ: MINES MINISTER ANNOUNCED MARCONA NATIONALIZATION,
ACCUSING COMPANY OF A MULTITUDE OF SINS

REFS: A) LIMA 5983, B) LIMA 5979, C) LIMA 3623 (ALL NOTAL)

1. SUMMARY: MINES MINISTER FERNANDEZ MALDONADO, IN TV ADDRESS TO NATION ON JULY 24, ANNOUNCED GOP WAS NATIONAL-IZING MARCONA MINING COMPANY IN THE PUBLIC INTEREST. USING STRONG THIRD-WORLD TERMINOLOGY, HE ACCUSED COMPANY OF BEING PRIME EXAMPLE OF A PREDATORY MNC WHICH REPRESENTS IMPERIALISM AT ITS WORST. HE ACCUSED MARCONA MINING COMPANY, AND ITS SISTER COMPANIES. OF FAILURE TO DEVELOP AND EXPLOIT THE MINE PROPERLY, OF MAKING ILLEGAL PAYMENTS TO THE EXTERIOR USING UNAUTHORIZED SALES COMMISSIONS, DENYING PERU THE OPPORTUNITY TO DEVELOP ITS OWN SHIPPING FLEET, AND FAILURE TO FULFILL A HOST OF OTHER CONTRACTUAL OBLIGATIONS. HE NOTED D.L. AUTHORIZING NATIONALIZATION CALLS FOR SAN NICOLAS PROPERTIES TO BE TURNED OVER TO NEW PERUVIAN CONCER, HIERROPERU, FREE OF COST. HE
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MADE NO MENTION OF POSSIBLE COMPENSATION NOR THE POSSI-

BILITY OF FUTURE NEGOTIATIONS WITH THE COMPANY. END SUMMARY

2. FOLLOWING IS PRESENTATION KEY ASPECTS OF MINISTER'S SPEECH:

A. MARCONA AS PREDATORY MNC - MINISTER SAID THE PERUVIAN RESOLUTION STANDS OUT IN THE BOLD STRUGGLE TO FREE THIRD WORLD COUNTRIES AND TO RECOVER THEIR NATURAL RESOURCES. MARCONA ACTED SOLELY IN SELF-INTEREST AND IS A CLEAR EXAMPLE OF "THE IMMORAL CONDUCT" OF MNC'S AT WORK. HE ACCUSED MARCONA OF A CLEVER AND SUBTLE EFFORT TO USE WEAKNESSES OF LDC GOVERNMENTS TO ACT BEHIND BACKS OF THEIR OWN PEOPLE AND TO MANIPULATE "PUBLIC OPINION" WHICH THEY CONTROL THROUGH THE MEDIA. THIS COMPLEX OF AGGRESSIVE ECONOMIC, POLITICAL AND CULTURAL ACTIONS PERU CALLS "IMPERIALISM." HE SAID MARCONA'S ACTIVITIES HERE DEMONSTRATE ITS "PREDATORY NATURE" AND PERUVIANS AS WELL AS PEOPLES OF THIRD WORLD UNDERSTAND WHAT IMPERIALIST ACTIVITY REALLY IS, HOW THEY "ACT AND PLUNDER".

B. MARCONA'S SPECIFIC "CRIMES" - MARCONA PELLETIZED ONLY SMALL PORTION OF ITS ORE IN PERU, WHILE MOST OF THE ORE WAS EXPORTED AS A SIMPLE CONCENTRATE WITH AN INFERIOR PRICE. MARCONA TRANSPORTED THE MINERALS BY MEANS OF AN INTERMEDIARY, MARCONA CARRIERS, WITHOUT USING THE PERUVIAN MERCHANT FLEET AND THEREBY "STYMIED" THE PERUVIAN SHIPPING COMPANY'S DEVELOPMENT. MARCONA ALSO SOUGHT CLEVERLY TO PAY MARCONA INTERNATIONAL, ITS SALES AGENT, FALSE PENALTIES FOR DEMURRAGE IN ORDER TO TRANSFER ILLEGAL PROFITS ABROAD. IT ALSO ARBITRARILY CHARGED A FOUR PERCENT COMMISSION ON SALES, WHEN PERUVIAN LAW CLEARLY STIPULATES THAT SALES TO BRANCHES ARE NOT PERMITTED. THE COMPANY SOLD AN INFERIOR PRODUCT TO SIDERPERU, FAVORING ITS FOREIGN CLIENTS.

C. MARCONA DEBTS TO GOP - MINISTER SAID THAT MARCONA OWES GOP A SERIES OF DEBTS WHICH WILL BE CONSIDERED WHEN DETERMINING THE VALUE OF THE EXPROPRIATED PROPERTIES. AMONG THESE DEBTS IS THE FAILURE TO MAINTAIN ADEQUATE RESERVES. FOR THIS ALONE, MARCONA OWES THE GOP SOLES CONFIDENTIAL

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700 MILLION. (COMMENT: AT THE 43.38 RATE, THIS AMOUNTS TO \$161 MILLION, OR ALMOST PRECISELY THE MINE EVALUATION WHICH MARCONA PRESENTED TO THE GOP LAST MONTH (SEE LIMA 4896). OTHER DEBTS INCLUDE: ILLEGAL FOUR PERCENT SALES COMMISSIONS, PAYMENTS FOR DEMURRAGE CHARGES, GRATUITIES TO FOREIGN PERSONNEL, TAXES ON SALES COMMISSIONS, TAXES ON SHIPPING, ALL OF WHICH IN TURN AFFECT PAYMENTS DUE TO THE GOP AND THE MINING COMMUNITY. (COMMENT:

THE MINISTER'S LIST COMPRISED MOST, IF NOT ALL, OF THE TRUMPED-UP CHARGES WHICH EAST BROUGHT TO OUR ATTENTION IN APRIL (SEE REF C).

D. THE CERRO CONNECTION - MINISTER SAID THAT ALL OF THE FOREGOING REASONS JUSTIFY MARCONA'S NATIONALIZATION, JUST AS IT WAS NECESSARY FOR GOP TO NATIONALIZE CERRO DE PASCO ONE AND ONE-HALF YEARS AGO. BUT, IN THIS CASE, MARCONA IS EVEN MORE IMPORTANT THAN CERRO, SINCE MARCONA CAN FORM THE BASIS OF A NATIONAL STEEL INDUSTRY AND ALSO PROVIDE THE OPPORTUNITY TO DEVELOP A GREAT SHIPPING INDUSTRY.

E. SOP TO CUAJONE AND OTHER FOREIGN INVESTORS - NEAR THE END OF THE SPEECH, MINISTER SAID THAT MARCONA WOULD EXEMPLIFY THE REVOLUTION IN THE MINING SECTOR, AS PROJECTED IN THE PLAN INCA. HE NOTED, HOWEVER, THAT PERU IS NOT OPPOSED TO FOREIGN ECONOMIC COOPERATION WHICH DOES NOT DAMAGE THE COUNTRY. "WE ARE NOT OPPOSED TO FOREIGN ECONOMIC COOPERATION WHEN IT RESPECTS THE SPIRIT AND LETTER OF OUR LAWS AND OUR REVOLUTIONARY PRINCIPLES. WITH THOSE WHO UNDERSTAND THE TERMS OF INTERCHANGE, WE HOPE TO HAVE A LONG AND PRODUCTIVE CONTRACTUAL AND ECONOMIC RELATIONSHIP."

(COMMENT: THE ONLY RELATIVELY MODERATE ELEMENT IN HIS SPEECH, THESE LINES ARE OBVIOUSLY DESIGNED AS ENCOURAGEMENT TO SPCC AND THE OIL COMPANIES TO CONTINUE THEIR ACTIVITIES HERE. OXY MANAGEMENT HAS ALREADY REXPRESSED ITS CONCERN TO EMBASSY OFFICER OVER TONE AND TERMS OF PRESENTATION.)

F. CALL TO MILITANCY - CLOSING THE SPEECH, FERNANDEZ MALDONADO NOTED THAT "IT SHOULD BE UNDERSTOOD THAT ONE CANNOT TOY WITH THE PERUVIAN REVOLUTION, NOW OR IN THE CONFIDENTIAL

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FUTURE. THE PEOPLE AND THE ARMED FORCES ARE EVER ALERT AND WILL NEVER PERMIT IT. OURS IS AN AUTHENTIC REVOLUTION WITHCH DOES NOT RENEGE ON ITS RESPONSIBILITIES OR ITS DUTIES, BUT WHICH GUARDS ZEALOUSLY ITS RIGHTS WITHOUT FEAR FOR THE FUTURE."

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INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L SECTION 2 OF 2 LIMA 6029

2. COMMENT: TENOR OF SPEECH WAS VERY CONTENTIOUS AND LARDED WITH THIRD WORLD RHETORIC, MOST SUITABLE FOR THE COUNTRY WHICH WILL HOST THE NON-ALIGNED CONFERENCE NEXT MONTH. RHETORIC AND LOGIC ABOUT MNC'S ARE THOSE CLOSELY ASSOCIATED WITH MORE RADICAL "VELASQUISTAS" AND FERNANDEZ MALDONADO PERSONALLY. PRESIDENT VELASCO CLEARLY HAD A HAND IN DECISION WITH RESPECT TO BOTH THE TIMING AND THE MANNER IN WHICH THE NATIONAL-IZATION WAS PRESENTED. WITHOUT A DOUBT, THE GOP'S INDEPENDENCE DAY SPEECH WILL NOW USE THE MARCONA CASE AS ANOTHER GLORIOUS PAGE IN THE ANNALS OF THE REVOLUTION. FERNANDEZ MALDONADO, WHOSE POSITION WITHIN THE GOVERNMENT HAS BEEN CONSIDERED TO BE ERODING SOMEWHAT, GAINED STATURE AT LEAST FOR THE MOMENT.

3. CLOSE READING OF BOTH THE SPEECH AND THE DECREE LAW LEAVE US WITH THE IMPRESSION THAT THE GOP HAS LEFT ITSELF WITH LITTLE ROOM TO MANEUVER ON THE ISSUE OF COMPENSATION, ALTHOUGH THIS IS NOT FORECLOSED COMPLETELY. NEITHER CONTAIN ANY REFERENCE TO COMPENSATION, AND BOTH CLEARLY IMPLY THAT WHEN GOP EVALUATES
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THE ASSETS OF THE COMPANY COMPARED TO THE ALLEGED DEBTS OF THE COMPANY, THE COMPANY WILL BE HELD RESPONSIBLE FOR DEBTS EXCEEDING ITS ASSETS.-
ALTHOUGH SECY GEN. IMPLIED TO THE AMBASSADOR YESTERDAY

(SEE REF B) THAT NEGOTIATIONS WITH MARCONS WOULD BE
CONTINUED, THIS DOES NOT EMERGE FROM EITHER SPEECH OR DECREE LAW.
ALL RANKING MINISTRY OF MINES OFFICIALS ARE NOW AT
MARCONA SITE FOR CEREMONY INAUGURATING HIERROPERU AND ARE
UNAVAILABLE FOR COMMENT.
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